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COURT OF COOK
COUNTY, ILLINOIS
CHANCERY DIV.

DOROTHY BROWN CLERK

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT-CHANCERY DIVISION

THE PEOPLE OF THE STATE OF ILLINOIS,)

Plaintiff,)

-vs-)

NO.

10CH25452

WARREN JACKSON, individually and in his)
capacity as President and Agent of W2X INC.)
and Secretary and Agent of PTU I INC;)
YOLANDA KING, (a/k/a YOLANDA)
JACKSON), individually and as Managing)
Member and Agent of Y 2 X LLC and Secretary)
of GOLDBURG BAIL-OUT, INC.; W2X INC.,)
an involuntarily dissolved Illinois Corporation;)
PTU I INC., an Illinois Corporation; Y 2 X)
LLC, an Illinois Limited Liability Company,)
and GOLDBURG BAIL-OUT INC., an)
Illinois Corporation,)

Defendants.)

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

NOW COMES the Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by
LISA MADIGAN, Attorney General of the State of Illinois, and complains that
Defendants, WARREN JACKSON, YOLANDA KING (a/k/a YOLANDA JACKSON),
W2X INC., PTU 1 INC., Y 2 X LLC, and GOLDBURG BAIL-OUT INC., offered and
provided mortgage rescue services in the State of Illinois that violated Illinois law.

PUBLIC INTEREST

1. The State of Illinois and its citizens have been and will continue to be
adversely impacted by Defendants' unfair and deceptive practices as alleged in this

Complaint. Therefore, the Illinois Attorney General brings this action in the public interest of the citizens of the State of Illinois.

JURISDICTION AND VENUE

2. This action is brought for and on behalf of THE PEOPLE OF THE STATE OF ILLINOIS, by LISA MADIGAN, Attorney General of the State of Illinois, pursuant to the provisions of the Mortgage Rescue Fraud Act, 765 ILCS 940/1 *et seq.*, the Credit Service Organization Act, 815 ILCS 605/1 *et seq.*, the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.*, and her common law authority as Attorney General to represent the People of the State of Illinois.

3. Venue for this action properly lies in Cook County, Illinois, pursuant to Section 2-101 of the Illinois Code of Civil Procedure, 735 ILCS 5/2-101, in that the Defendants are doing business in Cook County. Furthermore, some of the transactions out of which this action arose occurred in Cook County.

PARTIES

4. Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by LISA MADIGAN, Attorney General of the State of Illinois, is charged, *inter alia*, with the enforcement of the Mortgage Rescue Fraud Act, 765 ILCS 940/ *et seq.*, the Credit Service Organization Act, 815 ILCS 605/1 *et seq.*, and the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.*

5. Defendant WARREN JACKSON is the President and registered agent of W2X INC. and the Secretary of PTU I INC. At all times relevant hereto, Defendant JACKSON managed, controlled, and had knowledge of the day to day activities of W2X INC. and PTU I INC. In addition, he is described as the "prime mover" of GOLDBURG

BAIL-OUT on the company's website. Furthermore, JACKSON had full authority to withdraw funds from the W2X and Y 2 X bank accounts and spend such funds at his discretion.

6. Defendant YOLANDA KING, also known as YOLANDA JACKSON, is the registered agent and the sole Managing Member of Y 2 X LLC. YOLANDA KING also had authority to withdraw funds from the Y 2 X bank account and spend such funds at her discretion. At all times relevant hereto, Defendant KING participated and had knowledge of the day to day activities of Y 2 X. Defendant KING is also an agent of W2X and the Secretary of GOLDBURG BAIL-OUT, INC.

7. Defendant W2X INC., an involuntarily dissolved Illinois corporation, had its principal place of business at 155 N. Michigan Avenue, Suite 552, Chicago, Illinois 60601. W2X, Inc. was incorporated on September 25, 2003, and was involuntarily dissolved on February 13, 2009. W2X offered to help consumers save their homes by brokering "sale-leaseback" transactions. W2X also offered to assist homeowners renegotiate residential mortgage loans and stop foreclosure actions.

8. Defendant Y 2 X LLC is, and at all times relevant hereto was, an Illinois limited liability company, registered on August 8, 2006, with its principal place of business at 8332 South Cottage Grove Avenue, Apartment 1-South, Chicago, Illinois, 60619. Y 2 X offers to help consumers save their homes by brokering "sale-leaseback" transactions.

9. Defendant PTU I INC. is, and at all times relevant hereto was, an Illinois corporation, that offered to help consumers having financial difficulty stay in their homes through "sale-leaseback" transactions. The company was incorporated on January 18,

1995 and its principal place of business is 155 N. Michigan Avenue, Suite 552, Chicago, Illinois 60601. PTU I is currently not in good standing with the Illinois Secretary of State's Office.

10. Defendant GOLDBURG BAIL-OUT INC. is an Illinois corporation incorporated on September 9, 1984, with a registered address of 1355 N. Sandburg Terrace, Chicago, Illinois 60610. GOLDBURG BAIL-OUT offers to assist homeowners renegotiate residential mortgage loans and stop foreclosure actions.

11. For purposes of this Complaint for Injunctive and Other Relief, any references to the acts and practices of Defendants WARREN JACKSON, YOLANDA KING, W2X INC., PTU 1 INC., Y 2 X LLC, and GOLDBURG BAIL-OUT INC. shall mean that such acts and practices are by and through the acts of JACKSON and KING and W2X INC., PTU 1 INC., Y 2 X LLC, and GOLDBURG BAIL-OUT INC.'s officers, members, owners, directors, employees, salespersons, representatives and/or other agents.

12. Because they acted cooperatively in carrying out the conduct alleged in this Complaint, Defendants WARREN JACKSON, YOLANDA KING, W2X INC., PTU 1 INC., Y 2 X LLC, and GOLDBURG BAIL-OUT INC are collectively referred to as "Defendants," unless otherwise specified, and each is responsible for the unlawful conduct alleged herein.

COMMERCE

13. Subsection 1(f) of the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1(f), defines "trade" and "commerce" as follows:

The terms 'trade' and 'commerce' mean the advertising, offering for sale, sale, or distribution of any services and any property, tangible or intangible, real, personal, or

mixed, and any other article, commodity, or thing of value wherever situated, and shall include any trade or commerce directly or indirectly affecting the people of this State.

14. Defendants are and were, at all relevant times hereto, engaged in trade and commerce in the State of Illinois, in that they advertised and provided distressed property consulting services to consumers having difficulty paying their mortgages in Illinois.

DEFENDANTS' BUSINESS PRACTICES

15. Defendants, WARREN JACKSON, YOLANDA KING, and W2X INC., find homeowners who are having difficulty paying their mortgages and promise to help them find a way out of their financial difficulties. Rather than helping consumers, they either take the title to the homeowner's property and strip almost all of the homeowner's equity utilizing Defendants W2X INC., Y 2 X LLC, and/or PTU I INC., or they use Defendant GOLDBURG BAIL-OUT to charge fees for financial consulting services that are never provided. In short, Defendants are in the business of extracting money out of homeowners already in financial distress, leaving them in a much worse condition than prior to the purported "help" from Defendants.

16. Defendants WARREN JACKSON and YOLANDA KING are the principal actors in these schemes. They use Defendants W2X, PTU I, Y 2 X, and GOLDBURG BAIL-OUT as the corporate entities through which they conduct their misdeeds.

17. Defendants target vulnerable homeowners by reviewing Illinois foreclosure filings. They then use telemarketing to advertise their services to these consumers whose homes are in the foreclosure process. Defendants also use word of

mouth and other means to advertise their distressed property consulting services to consumers.

18. To date, the Attorney General's Office has received eight complaints related to Defendants' unlawful business practices.

Equity Stripping Schemes

19. Defendants JACKSON, KING and W2X solicit homeowners who are in foreclosure, but have relatively small loans and substantial equity in their homes. Defendants appear to target senior citizens. These senior citizens are often unfamiliar with general practices in the residential mortgage loan industry.

20. Defendants work collectively to offer to help consumers by obtaining loans for them in the amount they need to get out of foreclosure.

21. In return for the loans, Defendants require the homeowners to sign over their houses to Defendants or someone affiliated with Defendants.

22. In some cases, however, the homeowners do not realize that they are giving up title to their homes. Instead, they believe that Defendants JACKSON and KING, through Defendants W2X, Y 2 X and PTU I, have merely refinanced their mortgage. They think they are making their "mortgage" payments to Defendants, but in reality, they are just paying rent to Defendants.

23. Under the guise of signing loan documents, Defendants give these homeowners warranty deeds or similar instruments that transfer title to their homes.

24. Some homeowners are told by Defendants that they are signing over title to their properties for a one to two year period. During this period, Defendants tell the homeowners that they can stay in their properties by paying rent.

25. In either case, Defendants JACKSON, KING and W2X promise that the homeowners' credit will improve during this period, but do not explain how. Defendants JACKSON, KING and W2X tell homeowners that they can then repurchase their homes at the end of this period. Defendants JACKSON, KING and W2X assure homeowners that getting loans will be easy because by then their credit will be in good shape.

26. In either case, Defendants then find investors to purchase the homeowners' houses.

27. These investors, generally referred to as "straw buyers," take title to the consumers' properties, but the consumers remain in their residences and pay the straw buyers rent.

28. Sometimes, the straw buyers are working in conjunction with Defendants JACKSON, KING and W2X or the Defendants themselves serve as the straw buyers.

29. Other times, the straw buyers are third parties. They are told that Defendants JACKSON, KING and W2X have an agreement with the original homeowners and that, under that agreement, the straw buyers will be able to help consumers facing foreclosure. The straw buyers can buy the houses, collect rent, and then either sell the houses back to the original homeowners after a one to two year period or just continue to rent the houses to the homeowners.

30. The straw buyers take out new mortgages on the homes to finance their purchase.

31. At the closings, usually the homeowners' existing obligations or encumbrances on the home are paid off.

32. In some cases, consumers were not present at the real estate closing and the Defendants used powers of attorney or joint venture papers.

33. The remaining proceeds, which are distributed by the title company and due to the homeowners, are actually deposited in bank accounts owned by Defendants JACKSON, KING, W2X, Y 2 X, and/or PTU I. This deprives the homeowners of the vast majority of the equity from the sale of their homes.

34. The Mortgage Rescue Fraud Act requires that homeowners receive a certain percentage of the loan proceeds. But, the homeowners are only paid a fraction of their homes' true value. Sometimes, homeowners are paid only half of the fair market value of their home. Other times they receive far less, in some instances as little as 15%.

35. The homeowners are generally unaware that they have lost the majority of the equity in their homes.

36. Defendants JACKSON, KING and W2X fail to determine or inquire as to whether the homeowners have the ability to afford the monthly payments that are being charged.

37. In some cases, the homeowners simply cannot afford the payments. The homeowners are unable to make the required payments to the straw buyers, causing the straw buyers to be unable to make the payments on the mortgages they obtained. The straw buyers default on their loans and the properties end up in foreclosure.

38. In other cases, the homeowners are able to make the monthly payments. Still, the properties sometimes go into foreclosure when the straw buyers fail to pay their mortgages as they are supposed to.

39. The homeowners are generally unable to repurchase their homes after a year or two as promised.

40. Ultimately, the homeowners' properties are typically lost through foreclosure when the straw buyers fail to pay the mortgages and the homeowners are faced with eviction – the exact situation that the homeowners attempted to avoid by obtaining Defendants' services in the first place. Even worse, the original homeowners lose any equity that they accumulated in their homes.

41. Defendants JACKSON, KING, W2X, Y 2 X, and PTU I are the only parties that profit from the transactions, due to the substantial fees they extract for each transaction.

42. Defendants JACKSON and KING deposit the fees collected through the transactions into bank accounts held in the name of either W2X, PTU I, Y2X, or GBO, and utilize the money in these accounts for business and personal use. Both JACKSON and KING use the accounts to purchase clothing, pay for medical services, pay tuition for their children, as well as other personal transactions.

43. The allegations in Paragraphs 13 through 42 are pled as the ultimate facts necessary to sustain the People's cause of action as to Defendants' equity stripping scheme. The allegations contained in Paragraphs 43 through 103 below are pled as supplemental evidentiary facts in order to illustrate how homeowners can fall victim to Defendants' equity stripping scheme. The People intend to use and discover additional evidentiary facts related to these and other homeowners in order to prove the ultimate facts above.

James Jenkins

44. One example of Defendants' equity stripping scheme involved James Jenkins. Mr. Jenkins purchased a home in Chicago, Illinois in 1988. Mr. Jenkins had two mortgages on his home, a first mortgage for approximately \$100,000 and a second mortgage for approximately \$18,000. His home was worth about \$235,000 at the time he became involved with Defendants.

45. In 2006, Mr. Jenkins fell behind on his payments on his first mortgage. The lender began foreclosure proceedings in October 2006. The lender requested an immediate payment of \$5000 to stop the proceedings, which Mr. Jenkins was unable to make.

46. In or about February 2007, Mr. Jenkins received a call from Defendant JACKSON. He offered to help Mr. Jenkins with his back mortgage payments. JACKSON visited Mr. Jenkins' home and stated that he could arrange for an investor to purchase Mr. Jenkins' home. According to JACKSON, Mr. Jenkins would then be able to rent his house for one year, and then buy it back from the investor.

47. JACKSON never discussed with Mr. Jenkins whether he would be able to afford the monthly rent payments due to the investor; JACKSON never told Mr. Jenkins how much it would cost to buy back his home after a year; and JACKSON never inquired whether Mr. Jenkins would be likely to secure financing to repurchase his home in a year.

48. In or about March 2007, JACKSON returned to Mr. Jenkins' home and had Mr. Jenkins sign an unidentified document. JACKSON told Jenkins that he would be able to stay in his home as long as he did not file for bankruptcy.

49. Subsequently, JACKSON visited Mr. Jenkins twice at work. On one visit, JACKSON gave Mr. Jenkins a check for \$500, but told Mr. Jenkins that he had to give JACKSON \$250 back from this check.

50. On JACKSON's next visit to Mr. Jenkins' workplace, JACKSON brought a second check for \$500, payable to Mr. Jenkins. Initially JACKSON requested that Mr. Jenkins endorse the check and gave it back to him but, after Mr. Jenkins protested, JACKSON said he could keep the check.

51. In total, Mr. Jenkins received \$750 from JACKSON.

52. On March 29, 2009, Mr. Jenkin's home was sold to Maurice Tisby for \$235,000.

53. Mr. Jenkins was not present at the closing, which took place at Title One, Inc. in Homewood, Illinois.

54. After payment for the two mortgages on the home and other closing costs and fees, the HUD settlement statement listed \$75,676.13 as the amount due to Mr. Jenkins.

55. The next day, March 30, 2007, Title One issued three checks made out to Mr. Jenkins for the proceeds of the sale of his home. The first check was for \$5,000 which Mr. Jenkins received. Mr. Jenkins did not receive the second check, which was for \$10,640. Mr. Jenkins did not endorse this check, but someone falsified his signature and signed the check over to Maurice Tisby. Mr. Jenkins did not receive the third check, which was for \$60,036.13. As with the second check, someone falsified his signature. Defendant YOLANDA KING signed this check and subsequently deposited it into an account at LaSalle Bank.

56. In or about April 2007, Mr. Jenkins signed an agreement to lease his home from Maurice Tisby for \$1200 a month. Tisby told Mr. Jenkins that his monthly mortgage payment on the home was \$1600, and that Defendant JACKSON gave him money to pay the difference between the rent and the mortgage payment. Mr. Jenkins made rent payments to Tisby for over a year. In November 2008, however, Mr. Jenkins became unable to afford the terms of the lease, stopped making payments and moved out of the home.

57. During a meeting with Tisby, Mr. Jenkins learned that JACKSON had taken \$60,036.13 from the proceeds of the sale of his home.

58. Prior to this meeting, Mr. Jenkins had been unaware that JACKSON had received this amount from the transaction. Mr. Jenkins never intended to transfer the vast majority of the equity in his home to JACKSON.

59. All told, Mr. Jenkins received \$5,750 in cash from the sale of his home and his two mortgages, which totaled \$118,596.67, were paid off. This sum represents only half of the home's fair market value of approximately \$235,000.

Zadie Ford

60. Another example of Defendants' equity stripping scheme involved Zadie Ford. Ms. Ford had purchased her Chicago, Illinois home in 1974. At the time of the fraud, Ms. Ford's home was worth at least \$204,250 and she had an outstanding mortgage of \$53,801.54.

61. In 2007, Ms. Ford, a 73 year old divorcee, suffered from deteriorating eyesight, hearing problems and declining mental abilities.

62. In 2007, Ms. Ford fell behind on her mortgage payments and, in February 2007, a foreclosure complaint was filed against her.

63. Ms. Ford was contacted by Defendant WARREN JACKSON who stated that his company, Defendant W2X, INC., could refinance the mortgage on Ms. Ford's home.

64. On July 20, 2007, JACKSON picked up Ms. Ford and took her to his offices on North Michigan Avenue.

65. At this time, alone and without a notary present, JACKSON had Ms. Ford sign a number of documents. JACKSON told Ms. Ford that she needed to sign these documents in order to refinance her home.

66. In reality, these documents included a warranty deed that transferred title of Ms. Ford's home to Christopher Hill. Ms. Ford had never met Christopher Hill. Ms. Ford was unaware that she transferred title to her home.

67. After signing the documents at the W2X offices, JACKSON took Ms. Ford to a closing at Title One Inc. in Homewood, Illinois. Present at the closing were Defendants JACKSON and YOLANDA KING, Diedre Mathews, an employee of Title One, and Christopher Hill.

68. Ms. Ford believed that the closing was for a \$5,000 loan to help her get out of foreclosure.

69. Ms. Ford asked JACKSON how she should repay her new loan, and JACKSON stated that she could make payments to him or Mr. Hill.

70. Defendants JACKSON, KING and W2X instructed Ms. Ford to sign the documents transferring title to her home without reading or understanding them. Ms. Ford was never told that she was transferring title of her home in exchange for \$5,000.

71. On July 20, 2007, Ms. Ford's home was sold to Christopher Hill for \$215,000.00. The HUD-1 settlement statement lists the cash due to the seller, Ms. Ford, as \$150,556.54.

72. On July 24 and 25, 2007, Title One issued three checks distributing the proceeds from the sale of Ms. Ford's home. Around the end of July 2007, Title One delivered a check for \$5,000 to Ms. Ford. This check represented the total proceeds that Ms. Ford received from the sale of her home.

73. Ms. Ford did not receive the second check, which was made payable to her for the sum of \$12,000. Ms. Ford did not receive the third check, which was made payable to her for the sum of \$133,556.54. Ms. Ford's endorsement was falsified on both of these checks. Defendant KING signed the checks and subsequently deposited them into an account at LaSalle Bank.

74. All told, \$145,556.54 of the proceeds designated in the closing statement as due to Ms. Ford ended up in a bank account controlled by Defendant KING.

75. Including the retirement of the mortgage on her home, Ms. Ford received consideration totaling \$69,443.46 from the sale of her home, less than 33% of the fair market value of her home.

76. From August 2007 to July 2008, Ms. Ford made monthly payments to Christopher Hill.

77. In late July 2008, Ms. Ford's son learned that her home was no longer in her name.

78. By that time, Christopher Hill had made at most two payments on the mortgage he secured to purchase Ms. Ford's home. A foreclosure action had been filed on the property and the lender had received a foreclosure judgment on July 1, 2008.

79. After discovering the fraudulent conveyance of title to her home, Ms. Ford has initiated a civil law suit to quiet title and for other equitable relief.

Johnnie Johnson

80. Another example of Defendants' equity stripping scheme involved victim Johnnie Johnson. In 2006, Ms. Johnson, who was in her early 80s at the time, had a mortgage of \$90,000 on her home in Chicago, Illinois.

81. In the fall of 2006, Ms. Johnson was behind on her mortgage payments. In October 2006, a foreclosure complaint was filed against her.

82. That month, Ms. Johnson received a call from Coprice Jones of Defendant W2X.

83. Ms. Johnson had previously granted an interest in her home to her granddaughters, Thelma Johnson and LaTonya Temple. Jones arranged to meet with Thelma and Johnnie Johnson.

84. At this meeting, Jones told Thelma and Ms. Johnson that W2X, Inc. could get Ms. Johnson's home out of foreclosure. Jones made arrangements for Thelma and Johnnie Johnson to meet his boss, Defendant WARREN JACKSON, at the W2X offices.

85. On or about October 16, 2006, Ms. Johnson and her granddaughters met JACKSON at W2X, Inc's office on North Michigan Avenue.

86. JACKSON told Ms. Johnson that W2X was a mortgage company and that he could get Ms. Johnson a lower interest rate on her mortgage. JACKSON told Ms. Johnson that he and W2X helped people in foreclosure stay in their homes and obtain lower interest rate mortgages.

87. At no time during the meeting did JACKSON tell Ms. Johnson and her granddaughters that he intended to sell Ms. Johnson's home.

88. In November 2006, JACKSON contacted Ms. Johnson and told her to meet him at an address in Homewood, Illinois.

89. On the arranged day, Johnnie Johnson and her granddaughters went to the address, which turned out to be the offices of Title One Inc.

90. JACKSON was present at Title One Inc. and Ms. Johnson and her granddaughters were introduced to Defendant YOLANDA KING.

91. Over the course of about an hour, JACKSON asked the Ms. Johnson and her granddaughters about various loans, mortgages, and debts on the house.

92. JACKSON refused to answer questions from Thelma Johnson about why they were at a title company and why JACKSON appeared to be selling Ms. Johnson's home.

93. JACKSON finally responded by saying that he had received a letter from Ms. Johnson's lender and that if Ms. Johnson and her granddaughters did not do what he told them Ms. Johnson would be "set out on the street."

94. At the end of the meeting, Ms. Johnson and her granddaughters did not receive any documents or checks from JACKSON, KING, W2X or Title One Inc.

95. A short time after the meeting at Title One, JACKSON delivered a check to Ms. Johnson for \$12,000.

96. JACKSON told Ms. Johnson that he was the owner of her home, and that the monthly rent for her home would be \$2,200.

97. In January 2007, Ms. Johnson, through her granddaughter Thelma Johnson, began making payments to Defendants JACKSON and KING.

98. Over the course of the next year, Ms. Johnson made eight payments ranging in value from \$1700 to \$2,500. The eight money orders were made payable to different parties, including JACKSON, YOLANDA KING, YOLANDA JACKSON, and YOLANDA KING Y 2 X LLC. The money orders were endorsed by these different parties or jointly by both JACKSON and KING.

99. In April 2007, KING transferred title to Ms. Johnson's home to Defendant PTU I.

100. In or about January 2008, Ms. Johnson moved out of her home due to numerous building code violations cited by the City of Chicago.

101. Over the next six months Thelma Johnson repeatedly called JACKSON to inquire about the repairs to her grandmother's home. JACKSON continually claimed that he was working to get Ms. Johnson back in her home.

102. Johnnie Johnson died on October 1, 2008. Ms. Johnson's home has been vacant since February 2008.

103. Ms Johnson's granddaughters were never able to re-purchase the home.

Rescue Consulting Scheme

104. In addition to the equity stripping schemes in which consumers lose title to their homes and unknowingly become renters, in some cases Defendants JACKSON, KING and GOLDBURG BAIL-OUT also find homeowners facing foreclosure and offer to help them obtain loan modifications or find a bank to refinance their mortgage. But these Defendants actually take money from consumers for foreclosure consulting services that are never actually provided.

105. Defendants JACKSON, KING and GOLDBURG BAIL-OUT contact individual consumers by phone and offer to help lower their monthly mortgage payments.

106. Defendants also market their foreclosure consulting services through GOLDBURG BAIL-OUT's website, www.westopthekillings.org/gbo/.

107. On some occasions homeowners meet with Defendants JACKSON and/or KING at Defendants JACKSON, KING, W2X, and PTU I's offices at 155 N. Michigan Ave., Chicago, Illinois.

108. Before providing any services, however, Defendants JACKSON, KING and GOLDBURG BAIL-OUT require consumers to pay an upfront fee, in direct violation of the Mortgage Rescue Fraud Act.

109. In some cases, Defendants JACKSON, KING and GOLDBURG BAIL-OUT counsel homeowners that they will be able to either reduce the principal of their loans or get \$10,000 in cash for the consumers through a process described as "shorting the mortgage."

110. As described in Defendant JACKSON, KING and GOLDBURG BAIL-OUT's promotional materials, shorting the mortgage involves individuals facing foreclosure requesting that their lenders cut their loans' principal in half. If the lenders

do not agree to do so, the consumers can file Chapter 13 bankruptcy. This filing will cause the lenders to lose \$10,000 and the homeowners will receive \$10,000. Defendants' promotional materials do not explain from whom the homeowners will receive the \$10,000.

111. Consumers, for whom Defendants JACKSON, KING and GOLDBURG BAIL-OUT promised loan modifications or a \$10,000 payment, fail to receive either.

112. Furthermore, Defendants JACKSON, KING and GOLDBURG BAIL-OUT fail to provide homeowners with a written notice of their right to rescind contracts for these foreclosure services as required by Sections 10 and 15 of the Mortgage Rescue Fraud Act.

APPLICABLE STATUTES

Mortgage Rescue Fraud Act, 765 ILCS 940/1 et seq.

113. Prior to April 6, 2009, Section 5 of the Mortgage Rescue Fraud Act, 765 ILCS 940/5, provided as follows:

“Distressed property” means residential real property consisting of one to 6 family dwelling units that is in foreclosure or at risk of loss due to nonpayment of taxes, or whose owner is more than 90 days delinquent on any loan that is secured by the property.

“Distressed property consultant” means any person who, directly or indirectly, for compensation from the owner, makes any solicitation, representation, or offer to perform or who, for compensation from the owner, performs any service that the person represents will in any manner do any of the following:

- (1) stop or postpone the foreclosure sale or loss of the home due to nonpayment of taxes;

(2) obtain any forbearance from any beneficiary of mortgagee, or relief with respect to a tax sale of the property;

...

(4) obtain any extension of the period within which the owner may

reinstate the owner's rights with respect to the property;

...

(6) assist the owner in foreclosure, loan default, or post-tax sale

redemption period to obtain a loan or advance of funds;

...

(8) save the owner's residence from foreclosure or loss of home

due to nonpayment of taxes

"Distressed property purchaser" means any person who acquires any interest in fee in a distressed property...or any person who participates in a joint venture or joint enterprise involving a distressed property conveyance.

"Distressed property conveyance" means a transaction in which an owner of a distressed property transfers an interest in the distressed property...; the acquirer of the property allows the owner of the distressed property to occupy the property; and the acquirer of the property or a person acting in participation with the acquirer of the property conveys or promises to convey an interest in fee back to the owner or gives the owner an option to purchase the property at a later date.

114. After April 6, 2009, the italicized portion of Section 5 of the Mortgage Rescue Fraud Act, 765 ILCS 940/5, was amended as follows:

"Distressed property" means residential real property consisting of one to 6 family dwelling units that is in foreclosure or at risk of loss due to nonpayment of taxes, or whose owner is more than 30 days delinquent on any loan that is secured by the property.

115. Section 50(a) of the Mortgage Rescue Fraud Act, 765 ILCS 940/50, states that it is a violation of the that Act for a distressed property consultant to:

- (1) claim, demand, charge, collect, or receive any compensation until after the distressed property consultant has fully performed each service the distressed property consultant contracted to perform or represented he or she would perform;
- (2) claim, demand, charge, collect, or receive any fee, interest, or any compensation for any reason that exceeds 2 monthly mortgage payments of principal and interest or the most recent tax installment on the distress property, whichever is less;
- (6) take any power of attorney from an owner for any purpose, except to inspect documents as provided by law; or
- (7) induce or attempt to induce an owner to enter a contract that does not comply in all respects with Sections 10 and 15 of this Act.

116. Section 50(b) of the Mortgage Rescue Fraud Act, 765 ILCS 940/50, states that it is a violation of that Act for a distressed property purchaser, in the course of a distressed property conveyance to:

- (1) enter into, or attempt to enter into, a distressed property conveyance unless the distressed property purchaser verifies and can demonstrate that the owner of the distressed property has a reasonable ability to pay for the subsequent conveyance of an interest back to the owner of the distressed property and to make monthly or any other required payments due prior to that time;
- (2) fail to make a payment to the owner of the distressed property at the time of the title is conveyed so that the owner of the distressed property has received consideration in an amount of at least 82% of the property's fair market value...;
- (3) enter into a repurchase or lease terms as part of the subsequent conveyance that are unfair or commercially unreasonable, or engage in any other unfair conduct;

(4) represent, directly or indirectly, that the distressed property purchaser is acting as an advisor or a consultant, or in any other manner represent that the distressed property purchaser is acting on behalf of the homeowner, or the distressed property purchaser is assisting the owner of the distressed property to "save the house", "buy time", or do anything couched in substantially similar language;

...

(6) do any of the following until after the time during which the owner of the distressed property may cancel the transaction:

(A) accept from the owner of the distressed property an execution of any instrument of conveyance of any interest in the distressed property;

(B) induce the owner of the distressed property to execute an instrument of conveyance of any interest in the distressed property; or

(C) record with the county recorder of deeds any document signed by the owner of the distressed property, including but not limited to any instrument of conveyance;

...

(8) induce the owner of the distressed property to execute a quit claim deed when entering into a distressed property conveyance;

(9) enter into a distressed property conveyance where any party to the transaction is represented by power of attorney;

...

(11) fail to complete a distressed property conveyance before a notary in the office of a title company licensed by the Department of Financial and Professional Regulation, before an agent of such a title company, a notary in the office of a bank, or a licensed attorney where the notary is employed; or

(12) cause the property to be conveyed or encumbered without the knowledge or permission of the distressed property owner, or in any way frustrate the ability of the distressed property owner to complete the conveyance back to the distressed property owner.

Credit Services Organization Act, 815 ILCS 605/1 et seq.

117. Section 3(d) of the Credit Services Organization Act, 815 ILCS 605/3(d),

provides:

"Credit Services Organization" means a person who, with respect to the extension of credit by others and in return for the payment of money or other valuable consideration, provides, or represents that the person can or will provide, any of the following services:

- (i) improving a buyer's credit record, history, or rating;
- (ii) obtaining an extension of credit for a buyer; or
- (iii) providing advice or assistance to a buyer with regard to either subsection (i) or (ii).

118. Section 5 of the Credit Service Organization Act, 815 ILCS 605/5,

provides in relevant part that:

No credit services organization, its salespersons, agents, representatives, or any independent contractor who sells or attempts to sell the services of a credit services organization shall:

- (1) Charge or receive money or other valuable consideration prior to full and complete performance of the services the credit services organization has agreed to perform for or on behalf of the buyer, unless the credit services organization has, in conformity with Section 10 of this Act, obtained a surety bond issued by a surety company licensed to do business in this State.
- ...
- (4) Make or use any untrue or misleading representations in the offer or sale of the services of a credit services organization or engage, directly or indirectly, in any act, practice or course of business intended to defraud or deceive a buyer in connection with the offer or sale of such services[.]

119. Section 6 of the Credit Service Organization Act, 815 ILCS 605/6, states

in relevant part:

Before the execution of a contract or other form of agreement between a buyer and a credit services organization or before the receipt by any such organization

of money or other valuable consideration, whichever occurs first, such organization shall provide the buyer with a statement, in writing, containing the following:

...

- (4) a complete and detailed description of the services to be preformed by the credit services organization and the total cost to the buyer for such services;

...

- (6) a statement asserting the buyer's right to proceed against the surety bond required under Section 10; and

- (7) the name and business address of any such surety company together with the name and the number of the account.

120. Section 8 of the Credit Service Organization Act, 815 ILCS 605/8, states in relevant part that:

Any contract for services which does not comply with applicable provisions of this article shall be void and unenforceable as contrary to public policy. Any waiver by a buyer of the provisions of this Act shall be deemed void and unenforceable by a credit services organization as contrary to public policy. Any attempt by a credit services organization to have a buyer waive rights granted by this Act shall constitute a violation of this Act.

121. Section 9(a) of the Credit Service Organization Act, 815 ILCS 605/9(a), states in relevant part that:

A credit services organization shall file a registration statement with the Secretary of State before conducting business in this State.

122. Section 10 of the Credit Service Organization Act, 815 ILCS 605/10, states in relevant part that:

If a credit services organization is required to obtain a surety bond pursuant to paragraph (1) of Section 5 of this Act, the following procedures shall be applicable:

- (a) If a bond is obtained, a copy of it shall be filed with the Office of the Secretary of State.

(b) The required bond shall be in favor of the State of Illinois for the benefit of any person who is damaged by any violation of this Act. The bond shall also be in favor of any person damaged by such practices. Any person claiming against the bond for a violation of this Act may maintain an action at law against the credit services organization and against the surety. The surety shall be liable only for actual damages and not the punitive damages permitted under Section 11(b) of this Act. The aggregate liability of the surety to all persons damaged by a credit services organization's violation of this Act shall in no event exceed the amount of the bond.

(c) The bond shall be in the amount of \$100,000 and shall be maintained for a period of 2 years after the date that the credit services organization ceases operations.

Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/2 et seq.

123. Section 2 of the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/2, provides as follows:

Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact, or the use or employment of any practice described in section 2 of the 'Uniform Deceptive Trade Practices Act', approved August 5, 1965, in the conduct of any trade or commerce are hereby declared unlawful whether any person has in fact been misled, deceived or damaged thereby. In construing this section consideration shall be given to the interpretations of the Federal Trade Commission and the federal courts relating to section 5(a) of the Federal Trade Commission Act.

COUNT I

VIOLATIONS OF THE MORTGAGE RESCUE FRAUD ACT, 765 ILCS 940 et seq

124. Defendants, JACKSON, KING, W2X AND GBO, have violated Section 50(a)(1) of the Mortgage Rescue Fraud Act, 765 ILCS 940 *et seq.*, by claiming, demanding, charging, collecting, and receiving compensation before fully performing each service they contracted or represented that they would perform.

125. Defendants, JACKSON, KING, W2X AND GBO, have violated Section 50(a)(2) of the Mortgage Rescue Fraud Act, 765 ILCS 940 *et seq.*, by claiming, demanding, charging, collecting and receiving a fee, interest, or other compensation that exceeded two monthly mortgage payments of principal and interest on the distressed property.

126. Defendants, JACKSON, KING, W2X AND GBO, have violated Section 50(a)(7), by inducing an owner to enter a contract that does not comply in all respects with Section 10 and 15 of this Act.

127. Defendants, JACKSON, KING, W2X, Y 2 X, AND PTU I, have violated Section 50(b)(1) of the Mortgage Rescue Fraud Act, 765 ILCS 940 *et seq.*, by entering into a distressed property conveyance without verifying that the owner of the distressed property had a reasonable ability to pay for the subsequent conveyance of an interest back to the owner of the distressed property and to make monthly or any other required payments due prior to the reconveyance of the property.

128. Defendants, JACKSON, JACKSON, KING, W2X, Y 2 X, AND PTU I, have violated Section 50(b)(2), by failing to make a payment to the owner of the distressed property at the time the title was conveyed so that the owner of the distressed property received consideration in an amount of at least 82% of the property's fair market value.

129. Defendants, JACKSON, KING, W2X, Y 2 X, AND PTU I, have violated Section 50(b)(3), by entering into lease terms as part of a subsequent conveyance that are unfair and commercially unreasonable;

130. Defendants, JACKSON, KING, W2X, Y 2 X, AND PTU I, have violated Section 50(b)(4), by representing that the distressed property purchaser was assisting the owner of the distressed property to "save the house from foreclosure."

131. Defendants, JACKSON, KING, W2X, Y 2 X, AND PTU I, have violated Section 50(b)(6), by accepting from the owner of the distressed property an execution of an instrument of conveyance of title in the distressed property; inducing the owner of the distressed property to execute an instrument of conveyance of title in the distressed property; recording with the county recorder of deeds documents signed by the owner of the distressed property; and doing so during the time in which the owner of the distressed property could have cancelled the transaction;

132. Defendants, JACKSON, KING, W2X, Y 2 X, AND PTU I, have violated Section 50(b)(9), by entering into a distressed property conveyance where any party to the transaction is represented by power of attorney;

133. Defendants, JACKSON, KING, W2X, Y 2 X, AND PTU I, have violated Section 50(b)(12), by causing the property to be conveyed without the knowledge or permission of the distressed property owner.

REMEDIES – COUNT I

134. Section 55(a) of the Mortgage Rescue Fraud Act, 765 ILCS 940/55(a) states as follows:

A violation of any of the provisions of this Act constitutes an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act. All remedies, penalties, and authority granted to the Attorney General or State's Attorney by the Consumer Fraud and Deceptive Business Practices Act shall be available to him or her for the enforcement of this Act.

PRAYER FOR RELIEF – COUNT I

WHEREFORE, the Plaintiff prays that this honorable Court enter an Order:

- A. Finding that Defendants have engaged in acts and practices in violation of Section 50(a) and Section 50 (b) of the Mortgage Rescue Fraud Act;
- B. Preliminarily and permanently enjoining Defendants from the use of acts or practices that violate the Mortgage Rescue Fraud Act, including but not limited to, the unlawful acts and practices specified hereinabove;
- C. Declaring that all contracts entered into between Defendants and Illinois consumers by the use of methods and practices declared unlawful are rescinded and requiring that full restitution be made to such consumers;
- D. Revoking any and all of Defendants' licenses to do business in Illinois;
- E. An order assessing a civil penalty in the amount of \$50,000 per violation of the Mortgage Rescue Fraud Act found by the court to have been committed by Defendants with intent to defraud; if the Court finds Defendants have engaged in methods, acts, or practices declared unlawful by the Mortgage Rescue Fraud Act, without intent to defraud, then assessing a statutory civil penalty of \$50,000, all as provided in Section 7 of the Consumer Fraud Act;

- F. Assessing an additional civil penalty in the amount of \$10,000 per violation of the Mortgage Rescue Fraud Act found by the Court to have been committed by Defendants against a person 65 years of age and older as provided in section 7(c) of the Consumer Fraud Act;
- G. Requiring Defendants to pay the costs for the investigation and prosecution of this action as provided under Section 10 of the Consumer Fraud Act;
- H. Requiring Defendants to pay restitution to consumers; and
- I. Granting such other relief as this Honorable Court deems just and proper.

COUNT II

VIOLATIONS OF THE CREDIT SERVICES ORGANIZATIONS ACT, 815 ILCS 605/1 et seq.

135. The People reallege and adopt herein by reference paragraphs 1-109 into Count II.

136. Defendants, JACKSON, KING, W2X AND GBO, have represented that they will provide consumers with an extension of credit. In the course of providing the extension of this credit Defendants have violated Sections 5, 6, 9(a), 10 of the Credit Service Organizations Act, 815 ILCS 605, by:

- a. Receiving money prior to full and complete performance of the services agreed to perform on behalf of the buyer, namely securing them a loan;
- b. Making untrue or misleading representations in offering their services of their credit service organization and engaging in practices and courses of business intended to defraud and deceive consumers;

- c. Failing to provide consumers, before the execution of a contract, a statement that complies with Section 6 of the Credit Services Organizations Act, 815 ILCS 605/6;
- d. Failing to file a registration statement with the Secretary of State that complies with Section 9 of the Credit Service Organizations Act, 815 ILCS 605/9; and
- e. Failing to follow the procedures under Section 10 of the Credit Service Organizations Act, 815 ILCS 605/10, for obtaining a surety bond.

REMEDIES – COUNT II

137. Section 12 of the Credit Service Organization Act, 815 ILCS 605/12, states as follows:

The Attorney General, the State's Attorney of any county, or a buyer may bring an action in a circuit court to enjoin a violation of this Act. In addition to any injunction, the Attorney General or any State's Attorney or any county, in the name of the People of the State of Illinois, may seek to recover damages pursuant to this Act.

138. Section 15 of the Credit Services Organization Act, 815 ILCS 605/15, states as follows:

The remedies provided by this Act are in addition to other remedies provided by law. A violation of this Act shall also constitute a violation of the Consumer Fraud and Deceptive Business Practices Act.

PRAYER FOR RELIEF – COUNT II

A. A finding that Defendants violated Sections 5, 6, 9(a) and 10 of the Credit Services Organization Act;

- B. An order temporarily, preliminarily and permanently enjoining Defendants from acts or practices that violate the Illinois Credit Services Organization Act, including but not limited to, the unlawful acts and practices specified hereinabove;
- C. An order temporarily, preliminarily and permanently enjoining Defendants from engaging in trade or commerce of advertising, offering for sale and selling the services of credit services organization in the State of Illinois;
- D. An order assessing a civil penalty in the amount of \$50,000 per violation of the Credit Services Organization Act found by the Court to have been committed by Defendants with intent to defraud; and if the Court finds that these Defendants have engaged in methods, acts, or practices declared unlawful by the Credit Services Organization Act, without intent to defraud, then assessing a statutory civil penalty of \$50,000 per Defendants, all as provided in Section 7 of the Consumer Fraud Act;
- E. An order declaring void and unenforceable any contract for services which does not comply with the applicable provisions of the Credit Services Organization Act;
- F. An order assessing an additional civil penalty in the amount of \$10,000.00 per violation of the Credit Services Organization Act found by the Court to have been committed by Defendants against a person 65 years of age and older as provided in Section 7 of the Consumer Fraud Act; and
- G. An order granting such other relief as this Honorable Court deems just and proper

COUNT III

**VIOLATIONS OF THE CONSUMER FRAUD AND DECEPTIVE BUSINESS
PRACTICES ACT, 815 ILCS 505/2**

139. The People reallege and adopts herein by reference paragraphs 1-109 into Count III.

140. Defendants, JACKSON, KING, W2X, Y 2 X, PTU I, and GBO have engaged in a course of trade or commerce which constitutes unfair and/or deceptive acts and practices declared unlawful under Section 2 of the Consumer Fraud Act, 815 ILCS 505/2, by:

- a. violating Section 50(a) of the Mortgage Rescue Fraud Act, 765 ILCS 940/50(a);
- b. violating Section 50(b) of the Mortgage Rescue Fraud Act, 765 ILCS 940/50(b);
- c. violating Sections 5, 6, 9(a), and 10 of the Credit Services Organization Act, 815 ILCS 605/5;
- d. misrepresenting to consumers that they were securing loans for the consumers in order to get them out of foreclosure, when in fact Defendants were transferring title to the property and converting the homeowner's equity into cash for the benefit of the Defendants;
- e. inducing consumers to enter into transactions and execute documents by misrepresenting to consumers that the title to their property would be conveyed without their knowledge thus causing consumers to receive less equity than they would have if they sold their homes or allowed the homes to remain in foreclosure;

- f. failing to provide consumers with completed copies of paperwork that was signed;
- g. allowing real estate closings to take place without the consumer being present by misrepresenting the purpose of power of attorneys;
- h. misrepresenting to Consumers the nature and the amount of the fees that consumers would pay as a result of the transaction;
- i. misrepresenting to consumers that they were providing them with loans, when in fact they were taking title from homeowners and selling their homes; and
- j. forging consumers' signatures on checks and/or utilizing power of attorney or joint venture papers in order to direct funds intended for consumers into Defendants' bank accounts.

REMEDIES – COUNT III

141. Section 7 of the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/7, provides:

Whenever the Attorney General has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by the Act to be unlawful, and that proceedings would be in the public interest, he may bring an action in the name of the State against such person to restrain by preliminary or permanent injunction the use of such method, act or practice. The Court, in its discretion, may exercise all powers necessary, including but not limited to: injunction, revocation, forfeiture or suspension of any license, charter, franchise, certificate or other evidence of authority of any person to do business in this State; appointment of a receiver; dissolution of domestic corporations or association suspension or termination of the right of foreign corporations or associations to do business in this State; and restitution.

In addition to the remedies provided herein, the Attorney General may request and this Court may impose a civil penalty in a sum not to exceed \$50,000 against any person found by the Court to have engaged in any method, act or practice declared unlawful under this Act. In the event the court finds the method, act or practice to have been entered into with intent to defraud, the court has the authority to impose a civil penalty in a sum not to exceed \$50,000 per violation.

142. Section 10 of the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/10, provides that in any action brought under the provisions of this Act, the Attorney General is entitled to recover costs for use of this State.

PRAYER FOR RELIEF – COUNT III

WHEREFORE, Plaintiff prays that this honorable Court grant the follow relief:

- A. A finding that Defendants have engaged in trade or commerce in the State of Illinois;
- B. A finding that Defendants have engaged in unfair or deceptive acts or practices in the course of trade or commerce which constitute violations of Section 2 of the Illinois Consumer Fraud Act;
- C. An order temporarily, preliminarily, and permanently enjoining the Defendants from engaging in those acts and practices found in violation of Section 2 of the Illinois Consumer Fraud Act;
- D. An order assessing a civil penalty in the amount of \$50,000 per violation of the Consumer Fraud Act found by the Court to have been committed by Defendants with intent to defraud; if the Court does not find that Defendants have engaged in methods, acts, or practices declared unlawful by the Act, with intent to defraud,

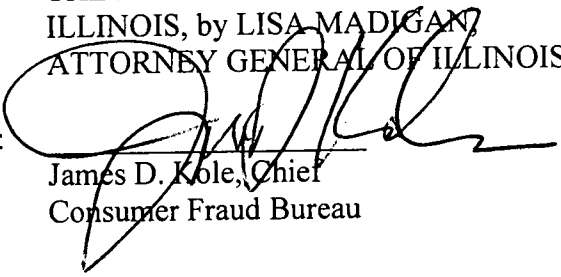
then assessing a statutory civil penalty of \$50,000, all as provided in Section 7 of the Consumer Fraud Act;

- E. An order assessing an additional civil penalty in the amount of \$10,000 per violation of the Consumer Fraud and Deceptive Business Practices Act found by the Court to have been committed by the Defendants against a person 65 years of age and older as provided in Section 7(c) of the Consumer Fraud Act;
- F. An order requiring Defendants to pay the costs for the investigation and prosecution of this action as provided under Section 10 of the Consumer Fraud Act;
- G. An order requiring Defendants to pay restitution to consumers harmed by Defendants unfair and deceptive business practices; and
- H. An order granting such other relief as this honorable Court deems just and proper.

Respectfully Submitted,

THE PEOPLE OF THE STATE OF
ILLINOIS, by LISA MADIGAN,
ATTORNEY GENERAL OF ILLINOIS

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